

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

SSO-00 NSCE-00 INRE-00 USIE-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 PRS-01 SP-02 OMB-01 OIC-02 /124 W

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O R 251204Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 0515

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BUJUMBURA

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AMEMBASSY BANGUI

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AMEMBASSY COTONOU

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USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 01 OF 03 LONDON 06255

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJ: COFFEE: SECOND WEEK OF WG ON NEGOTIATION OF
NEW ICA.

REF: LONDON 5966

SUMMARY

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1. THE SECOND WEEK OF THE WORKING GROUP ON NEGOTIATION
OF A NEW INTERNATIONAL COFFEE AGREEMENT HAS SEEN
CONSIDERABLE CLARIFICATION OF MEMBER COUNTRY VIEWS ON
MAJOR ISSUES BUT LITTLE IN THE WAY OF ACTUAL AGREEMENT
ON SUBSTANTIVE ISSUES. BRAZIL AND COLOMBIA BACKED
AWAY FROM THEIR EARLIER PROPOSAL FOR AN INTERNATIONAL
GUARANTEE STOCK FINANCED BY BOTH CONSUMERS AND
PRODUCERS AFTER IT BECAME CLEAR MOST CONSUMER COUNTRIES

WOULD BE UNWILLING OR UNABLE TO CONTRIBUTE DIRECTLY TO THE FINANCING OF SUCH A STOCK. TWO DAYS WERE SPENT IN SMALLER, TECHNICAL SUB-GROUPS TO CONSIDER PROBLEMS RELATED TO THE CONTROLS SYSTEM AND DEVELOPMENT OF A NEW INDICATOR PRICE FORMULA. AN INITIATIVE BY THE CHAIRMAN OF THE COFFEE COUNCIL (SHARP OF CANADA) TO ESTABLISH AN INFORMAL "CONTACT GROUP" TO CONSIDER HOW BEST TO PROCEED AT THE JUNE-JULY COUNCIL MEETING WAS REBUFFED BY PRODUCERS WHO CONTINUE TO EVIDENCE SIGNS OF SHARP INTERNAL DISAGREEMENTS. WHILE FORMAL WORKING GROUPS AND SUB-GROUP SESSIONS ARE LARGELY INCONCLUSIVE, INFORMAL CONTACTS BETWEEN U.S. REPS AND MAJOR PRODUCER DELEGATIONS SUCH AS BRAZIL, COLOMBIA AND OAMCAF INDICATE THAT THEIR POSITIONS ARE MORE FLEXIBLE THAN IS APPARENT IN OPEN MEETINGS AND THAT THEIR THINKING IS IN THE PROCESS OF EVOLVING TOWARD A "COMPROMISE" PACKAGE WHICH MAY INCLUDE COMPONENTS FROM BOTH THE BRAZILIAN AND U.S. PROPOSALS. SERIOUS SUBSTANTIVE NEGOTIATIONS WILL NOT TAKE PLACE BEFORE THE JUNE-JULY COUNCIL MEETING EXCEPT FOR POSSIBLE BI-LATERAL (E.G. US/BRAZILIAN) CONSULTATIONS IN THE INTERIM. END SUMMARY.

2. WG PLENARY RESUMED WORK MONDAY MORNING, APRIL 21. BRAZIL AND COLOMBIA MADE STRONG EFFORT TO ASCERTAIN ATTITUDES OF CONSUMING COUNTRIES TOWARD THEIR PROPOSAL FOR AN "INTERNATIONAL GUARANTEE STOCK"(IGS) PARTICULARLY WHETHER CONSUMERS WOULD BE WILLING TO CONTRIBUTE DIRECTLY TO ITS FINANCING. MOST CONSUMERS INDICATED GENERAL INTEREST IN THE IDEA OF AN IGS, IF IT PROVED TECHNICALLY FEASIBLE AFTER STUDY, AND SUGGESTED A SUB-GROUP BE CONSTITUTED TO ANALYZE IT. HOWEVER, NO CONSUMER OFFERED TO HELP FINANCE THE IGS, AND MANY CITED THE COCOA BUFFER LIMITED OFFICIAL USE

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STOCK FINANCING ARRANGEMENT AS PRECEDENT. AT START OF AFTERNOON SESSION, GOMEZ

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INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 IO-10 ISO-00

SSO-00 OIC-02 NSCE-00 USIE-00 INRE-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 PRS-01 SP-02 OMB-01 /124 W

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O R 251204Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 0516

INFO AMEMBASSY CANBERRA

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(COLOMBIA) LED OFF BY SAYING THAT LACK OF CONSUMER
WILLINGNESS TO HELP FINANCE IGS HAD LED BRAZIL AND
COLOMBIA TO RECONSIDER THE IDEA. HE SUGGESTED PRODUCERS
AND CONSUMERS CAUCUS SEPARATELY TO DETERMINE IF THEY
WISHED TO PURSUE IT FURTHER. THIS SUGGESTION WAS
ACCEPTED AND CONSUMERS MET IMMEDIATELY THEREAFTER.

3. IN CONSUMER CAUCUS, FRG EXPRESSED RESERVATIONS
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ABOUT TECHNICAL FEASABILITY OF IGS BUT WILLINGNESS TO
STUDY WITHOUT COMMITMENT. U.S. REP SAID IGS MIGHT BE
USEFUL AS A MEASURE TO DEFEND AGAINST HIGH PRICES
BEFORE QUOTA SUSPENSION, BUT WOULD NOT BE ABSOLUTELY
NECESSARY IF WE HAD OTHER PROVISIONS TO PROTECT
CONSUMERS SUCH AS EFFECTIVE DISCOURAGEMENT OF
UNDERSHIPMENT AND AUTOMATIC SUSPENSION OF QUOTAS.
BOTH FRG AND U.S. STRESSED THEY ARE NOT IN A POSITION
TO HELP WITH DIRECT CONTRIBUTIONS TO FINANCE IGS.
FRANCE SAID ARGUMENT OVER "WHO PAYS" IS LARGELY
IRRELEVANT AS IN END CONSUMER ALWAYS PAYS. THE REAL
QUESTION IS "WHO COLLECTS". OF CONSUMERS PRESENT,

ONLY THE NETHERLANDS INDICATED THAT IT MIGHT BE ABLE TO ASSIST IN FINANCING IGS. CONSUMERS ALSO DECIDED TO SET UP THEIR OWN AD HOC TECHNICAL GROUP ON INDICATOR PRICES.

4. AT WG PLENARY TUESDAY MORNING, EXECUTIVE DIRECTOR SUGGESTED GROUP CONSIDER SETTING UP TECHNICAL SUB-GROUPS TO STUDY CONTROLS SYSTEM AND INDICATOR PRICES. AT AFTERNOON SESSION, COUNCIL CHAIRMAN (SHARP OF CANADA) WHO HAD CONSULTED BOTH PRODUCER AND CONSUMER DELS, ON HIS OWN INITIATIVE PROPOSED HE SET UP AN INFORMAL "CONTACT GROUP" TO DETERMINE MOST FRUITFUL WORK PROGRAM FOR JUNE-JULY COUNCIL MEETING. SHARP SUPPORTED BY CANADA, UK AND US, BUT NO PRODUCERS ENOORSED IDEA EVEN AFTER US SUGGESTED EXECUTIVE BOARD CHAIRMAN (FALLA OF EL SALVADOR) CO-CHAIR THE GROUP.

5. TECHNICAL SUB-GROUPS ON CONTROLS AND INDICATOR PRICES MET ALL DAY WEDNESDAY AND THURSDAY MORNING. CONTROLS GROUP WRESTLED WITH PROBLEM OF WHETHER AND HOW TO APPLY QUOTA SYSTEM TO EXPORTING MEMBER EXPORTS TO NON-MEMBER IMPORTERS, BUT UNABLE TO REACH CONSENSUS. THIS GROUP'S REPORT SET FORTH ALTERNATIVE APPROACHES FOR FULL WG TO CONSIDER (SPECIAL STAMPS FOR EXPORTS TO NON-MEMBERS VS. NO STAMPS AT ALL). INDICATOR PRICE GROUP RECEIVED FAIRLY SPECIFIC SUGGESTION FROM CONSUMER ADVISERS FOR REVISION OF OLD INDICATOR PRICE SYSTEM WHICH WOULD PRESERVE PRICE INDICATORS FOR LIMITED OFFICIAL USE

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THE FOUR PRINCIPAL TYPES OF COFFEE. AFTER SPIRITED DISCUSSION DURING WHICH BRAZIL AND COLOMBIA MAINTAINED THAT AN ACCURATE INDICATOR FOR THEIR COFFEES IS IMPOSSIBLE (THEY PREFER TO USE ONLY OTHER MILDS AND ROBUSTAS BASED ON FUTURE MARKETS) THE GROUP EVENTUALLY DECIDED TO RECOMMEND THE CRITERIA BY WHICH PROPOSED NEW INDICATOR PRICE SYSTEMS SHOULD BE JUDGED WITHOUT SUGGESTING A SPECIFIC FORMULA. THE CRITERIA INCLUDED "AS FAR AS POSSIBLE", THE FOUR TYPES OF COFFEE.

6. WG MET IN PLENARY SESSION AGAIN THURSDAY AFTERNOON TO RECEIVE REPORTS FROM SUB-GROUPS. AFTER CONSIDERABLE PROCEDURAL JOCKEYING, THE REPORTS WERE "NOTED". WG AGREED TO SET UP A TECHNICAL GROUP TO STUDY THE PROBLEMS

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SSO-00 OIC-02 NSCE-00 USIE-00 INRE-00 AGR-05 CEA-01

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L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 PRS-01 SP-02 OMB-01 /124 W

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O R 251204Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 0517

INFO AMEMBASSY CANBERRA

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INVOLVED IN INTERNATIONAL CONTROL OF STOCKS.

7. COMMENT: THE REAL ACTION DURING THE SECOND WEEK
OF THE MEETING WAS NOT IN THE FORMAL SESSIONS OF THE
WG OR SUB-GROUPS, BUT IN THE LOBBY AND HALLWAYS WHERE
DELEGATES HELD INTENSIVE BI-LATERAL CONSULTATIONS.
THE U.S. INITIATIVE IN TABLING SUGGESTIONS FOR A NEW
ICA DURING THE FIRST WEEK CAUGHT MOST PRODUCER
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DELEGATIONS OFF GUARD. THEY REQUIRED THE BETTER PART
OF A WEEK TO ANALYZE AND REACT TO THEM. OUR SUGGESTIONS
HAD THE EFFECT OF STEPPING UP THE PACE OF THE
NEGOTIATING PROCESS AND THEREBY BRINGING INTO THE OPEN

THE DIVISIONS AMONG THE PRODUCERS. BRAZIL SPENT MOST OF THE SECOND WEEK ATTEMPTING TO WORK OUT DIFFERENCES AMONG PRODUCERS. BRAZIL DEL HAS PRIVATELY TOLD THE U.S., IT HAS AUTHORITY TO ACCEPT THE U.S. CONCEPT OF VARIABLE MARKET SHARE ALLOCATIONS BASED IN PART ON STOCKS. THE AFRICAN PRODUCERS HAVE ALSO INDICATED THEY ARE ATTRACTED TO THE CONCEPT BUT CONCERNED ABOUT THE FEASIBILITY OF ACCURATELY VERIFYING STOCKS FOR THIS PURPOSE. MAJOR OBJECTION TO THIS APPROACH COMES FROM FEW COUNTRIES (E.G. GUATEMALA) WHICH NORMALLY KEEP MINIMAL STOCKS. OTHER FEATURES SUGGESTED BY U.S. ARE STILL UNDER CONSIDERATION.
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Message Attributes

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